

2007 ANNUAL REPORT



Investing in the North



# TABLE OF CONTENTS

2008-04156/

TRANSMITTAL LETTER	page 2
CORPORATE	3
CORPORATE PROFILE	4
CORPORATE REPORT	5
LOANS APPROVED	8
HISTORICAL DATA	9
PERFORMANCE DATA	10
ECONOMIC IMPACT	11
AUDITORS' REPORT	12
STATEMENT OF FINANCIAL POSITION	13
STATEMENT OF OPERATIONS	14
STATEMENT OF CASH FLOWS	15
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	16
NOTES TO FINANCIAL STATEMENTS	18
SCHEDULE OF OPERATING EXPENDITURES	24

## COVER NOTE:

Unlike conventional "top of the page is North" printing, our cover shows a northern focus view of the map of Manitoba. Until 1995, a stylized version of this map was the CEDF logo.





March 31, 2007

The Honourable Oscar Lathlin  
Minister Responsible for the  
Communities Economic Development Fund  
Province of Manitoba  
Room 344 Legislative Building  
Winnipeg MB R3C 0V8

Dear Sir:

It is my privilege, on behalf of my fellow directors on the Board of the  
Communities Economic Development Fund, to forward the Fund's annual  
report for the fiscal year ended March 31st, 2007.

CEDF has had another successful year. It has met budget and carried out its man-  
date to encourage economic development in the North, enjoying both high levels  
of lending as well as assisting many clients in growing economic ventures.

Respectfully submitted,

Harold Westdal  
Chairperson



**Minister Responsible:** The Honourable Oscar Lathlin

**Board of Directors:**

Chairperson:	Harold Westdal	Winnipeg
Directors:	Linda Ballantyne	Grand Rapids
	Rob Barbe	Winnipegosis
	Darlene Beck	Cross Lake
	Bill Cordell	Thompson
	Gavin Lawrie	Churchill
	Bob Veito	The Pas
	John R. Yellowback	God's River

**Officers:**

General Manager & CEO: R. Gordon Wakeling

CFO & Manager of Fisheries Loans Program: Rajinder S. Thethy

**Head Office:**

100 - 23 Station Road  
Thompson, Manitoba R8N 0N6  
Telephone: (204) 778-4138  
Fax: (204) 778-4313  
Toll Free: 1-800-561-4315 (In Manitoba only)

**Field Offices:**

**Business Loans**

3-1000 Main St., Swan River, MB R0L 1Z0

**Fisheries Loans**

Box 1277, Hwy 9 & Colville Dr., Gimli, MB R0C 1B0

Box 10548, Opaskwayak, MB R0B 2J0

Bay 8, 1680 Ellice Ave., Winnipeg, MB R3H 0Z2



The Communities Economic Development Fund is a Manitoba Crown Corporation, incorporated under the Communities Economic Development Fund Act (C155 of the Consolidated Statutes of Manitoba).

### **Legislated Mandate:**

The Object of the Fund, as stated in section 3(1) of the Act is as follows:

*"The object of the fund is to encourage economic development*

- (a) In Northern Manitoba, as defined by the Lieutenant Governor in Council by regulation;*
- (b) subject to the approval of the Lieutenant Governor in Council, in the fishing industry in the province, by acting as a lending authority and administering a loan program with respect thereto; and*
- (c) in conjunction with financial assistance provided by the Government of Canada under any economic development program to assist aboriginal people in the province outside The City of Winnipeg; with particular emphasis on the needs of small business enterprises and community development corporations."*

Section 3(2) of the Act states it shall do so through the provision of "financial and other forms of assistance":

*"The fund may provide financial assistance and other assistance, as set out in subsection (3), to assist in the establishment of new economic enterprises and the development of existing economic enterprises."*

The Act defines financial assistance as:

*"financial assistance" includes a loan or guarantee, a lease of personal property or real property, the purchase or sale of shares, assets or securities of a corporation, and the underwriting of the securities of a corporation;"*

Other forms of assistance are defined in section 3(3) of the Act:

*"The fund may provide, with or without charge,*

- (a) information and advice respecting the techniques, methods and practices required for the successful administration of economic enterprises;*
- (b) training for individuals, including employees, managers and directors, in an economic enterprise; and*
- (c) conferences, seminars and other meetings for the promotion of good management practices in economic enterprises."*

### **Programs:**

In carrying out its mandate, the Fund provides loans and guarantees to small to medium enterprises and to the commercial fishery through its Business Loans and Fisheries Loans programs. It also provides support for community economic development through its CED programming – including the TEAM program and delivery of Rural Economic Development Initiative (REDI) programs. REDI programs are delivered under a Memo of Understanding (MOU) with Manitoba Agriculture, Food, and Rural Initiatives.



The Fund's mandate is to encourage economic development in Northern Manitoba. It does so through program delivery and through general assistance to government on economic initiatives. It assists northern clients with feasibility analysis on development projects, and provides other logistical and support services. In addition, CEDF acts as a resource to government on northern development policy and issues. The Fund continues to deliver Rural Economic Development Initiative (REDI) programs in the north east under an MOU with Manitoba Agriculture, Food, and Rural Initiatives.

Among its undertakings in 2007, the Fund had the honor of hosting a delegation from the Jewish National Fund (JNF) to examine opportunities to work with northern communities in areas such as agricultural and environmental technology under a Joint Agreement with the Province of Manitoba. JNF is currently working with the community of Grand Rapids to develop a greenhouse project. CEDF has assisted a proponent with research to develop business potential along the Hudson Bay rail line.

The Fund delivers programs and services under four departments. Each is organized as a strategic business unit.

**Administration** - manages all accounting, finance, and management information services for the Fund, in addition to managing the Fund's treasury.

**Business Loans** - provides loans and guarantees to economic enterprises.

**Fisheries Loans** - provides loans to the commercial fishing industry.

**Community Economic Development** - delivers community level programming to assist northern communities in expanding economic opportunities.

Each business unit is measured on key objectives which are noted below with outcomes.

### ADMINISTRATION

**Budget management** - The Fund met its budget objective in 2007, delivering its eighth consecutive year 'on' budget, working with a core or operating budget that remains unchanged since 2001.

**Timely reporting of performance and regulatory reporting** - With the exception of its annual report, the Fund has produced its statements on time and filed its quarterly reports as required under legislation.

**Information system to assist "line" programs** - The department maintains loan ledgers and client contact information. This system is dated and is under review, however, it continues to provide regular and timely information to loan consultants and to its board.

The unit has been re-organized in 2007, following the retirement of a senior employee. It now functions with 1.5 staff years (down from 2) in addition to the CFO (who also has responsibility for the Fisheries Loan Program). The treasury function is to provide adequate capital to carry out lending activity and to manage accounts with the province. CEDF borrows capital for its programs from the province. It can structure its borrowing to maximize revenues. The key objectives and outcomes of treasury management are:

- **Obtain capital at rates enabling the Fund to offer stable rates at market levels** - the Fund routinely confirms its rates in the market place and offers loans at competitive rates.

- **Loan margin budget target** - the budget objective for fiscal 2007 was 2.5% - the Fund achieved net returns of 2.7% on portfolio.





#### **BUSINESS LOAN PROGRAM:**

The Business Loan Program continues to be a valuable source of capital in Northern Manitoba, providing loans in numerous industries and in communities throughout the region. It encourages the development of businesses and services often taken for granted in more developed regions of the province, but might not otherwise exist in this area. The Fund has active loans in 55 communities in the region. Program objectives are:

- **\$5 million in annual loan activity** – during fiscal 2007 the Fund approved \$4.1 million in new loans. The program is demand driven. Reduced activity in the forestry sector continues to be a concern for the Fund in terms of achieving activity goals.
- **Account management to reduce loan losses** – for the current fiscal year, CEDF's loan loss provision was \$427,803 or 10.35% of loan activity which, in conjunction with fisheries loans activity, is within budget and within targeted loan loss limits.
- **Examine new financial products** – the Fund began to offer bid bonding as a new product this year. Uptake for the product has been limited, but CEDF will work with northern contractors in the current year to examine the need and methods of expanding this service.

During the year, CEDF completed staff re-assignments reducing its overhead in the Business Loan Program and redistributing its portfolio among consultants to balance work flow.

#### **FISHERIES LOANS PROGRAM:**

The Fisheries Loan program is an essential source of capital to Manitoba's commercial fishing industry. It offers fishers financing at competitive rates, with seasonal payments made by direct deduction from deliveries through Freshwater Fish Marketing Corporation (FFMC). The relationship with FFMC is essential to the program as it ensures loan payments can be received (especially in areas which do not enjoy conventional banking services) reducing the risk of default. During the year, the program completed two policy reviews, one relating overall loan limits and another related to financing levels for quota entitlement purchases. The Fund now offers individual limits (subject to production and capacity to repay) of \$50,000, up from \$30,000. Loan limits to assist in the purchase of fisheries quota were raised from 60 cents per pound to \$1.25 per pound. The limits were last reviewed in 1990 and the increase reflects the need to address inflationary growth in both the revenues and in capital costs for fishers during the period.

Program objectives are:

- **Lending activity at \$4.5 million annually** – the program offered \$4.48 million in new loans this year.
- **Successful loan management practice** – Management made a loan loss provision this year of \$200,000 or 4.46% of lending. As noted under business, the combined loan loss provision for the programs are within budget.

#### **COMMUNITY PROGRAMS:**

Community programs are a group of programs including the TEAM micro-enterprise support program, delivery of REDI programming, and work with communities and individuals in the region. The Fund's community programming emphasizes fundamental Community Economic Development (CED) practice. In order to be successful, the programs must be delivered at a community level, involve planning and supports to economic development, and enhance local capacities. As a business development entity, the Fund focuses on business or economic activity in the community.



During 2007, the program achieved the following:

- An additional two Community Development Corporations (CDC) were formed in 2006 in partnership with CEDF and the local municipal government. This brings the total number of development corporations that CEDF is working with to eleven.

- Work with CDC's included:

- Purchasing a building and looking at leasing it for the operation of a convenience store and restaurant;
- Providing small business loans, looking at value-added business opportunities, and becoming an internet provider;
- Accessing the ability to construct a commercial complex, providing small business loans, and harvester training;
- Retro-fitting five houses to bring them up to living standards;
- Looking at establishing a radio station;
- Contracting with the Department of Highways to maintain roads;
- Purchasing houses from CMHC and reselling them to potential developers;
- Developing a business complex and forming a Housing Board.

- CEDF also provided 39 instances of technical assistance involving 38 separate businesses and 37 individuals (not including businesses put forth by CDCs) for the 2007/08.

CEDF is a member of the board of Uniquely Manitoba which recently facilitated the launching of a virtual trade show for artists in Manitoba. CEDF also has a representative on the University College of the North's CED (Community Economic Development) committee in the development of the CED program that will be offered in the 2007/2008 year.

# LOANS APPROVED



AMOUNT	NAME	BUSINESS	LOCATION	INTEREST RATE	TERM
\$10,000	Moose Lake Fishermen's Assoc.	Commercial Fishing	Moose Lake	8.38	24
437,220	4705395 Manitoba Ltd. (Erickson)	Plumbing & Heating	Thompson	8.00	60
105,690	Gilbert North	Construction	Oxford House	7.88	48
700,000	5313849 Manitoba Ltd. (Robinson)	Motel/Restaurant	Churchill	8.00	60
120,473	McCullough Logging Inc.	Logging Operation	Swan River	8.50	48
100,000	Patent Electric Ltd.	Electrical - Res & Comm	Thompson	8.00	48
198,425	Barren Lands Construction	Winter Road Construction	Brochet	14.00	0
18,770	Northern Overhead Doors Inc.	Doors-Install/Repair	Thompson	8.00	36
20,725	Dwayne & William Packo	Fitness Centre	Norway House	8.75	36
225,000	Mistic Hauling Inc.	Logging	Wabowden	8.50	36
457,075	A. Jonasson Logging Ltd.	Logging	Wabowden	8.75	36
132,450	Sweeny Enterprises Ltd.	Aircraft Maintenance	Thompson	8.00	72
257,220	Mud Lake Logging Ltd.	Air Service	Wabowden	8.75	36
166,047	Amik Aviation Ltd.	Air Service	Selkirk	8.00	48
7,605	David & Paulette Boyce	Fast Food/Conf/Gen	Leaf Rapids	7.75	24
35,505	Albert Walter Colombe	Bus Service	Wabowden	8.25	38
45,231	5049032 Manitoba Ltd. (MacLean)	Trucking	Thompson	8.00	36
50,000	Lenard & Audrey Prokopchuk	Scrap Metal Recycling	Thompson	7.75	3
22,250	Gerald Trembach	Sawmill (Thompson)	Pine River	7.75	48
8,500	Kim St. Jacques & Sam Dalton	Medical Supplies	Thompson	7.75	24
40,950	Scott Gerald Green	Log Hauling	The Pas	8.25	36
30,950	Lakeview Consumer Co-op Ltd.	Food Store	Wanipigow	7.75	60
49,981	Sherry Lynn Randall	Salon/Sears	Gillam	7.63	48
198,643	4219482 Manitoba Ltd. (Ushkowski)	Trucking-Long Haul	Dauphin	6.63	120
136,084	God's River Development Corp.	Tourism/Fishing Camp	God's River	7.75	60
183,213	5049032 Manitoba Ltd. (MacLean)	Trucking	Thompson	8.52	36
179,000	David A. Coyne	Restaurant	The Pas	7.25	60
16,048	Albert Walter Colombe	Bus Service	Wabowden	8.38	28
46,175	Abby Klyne	Confectionary	Easterville	8.52	36
88,744	Ryan Rosteski	Construction	Swan River	8.17	60
<u>36,025</u>	Dwight & Bonnie Froude	Gas Station	Thompson	7.67	36
<b>\$4,123,999</b>					



## HISTORICAL BUSINESS LOANS DATA

YEAR APPROVED	AMOUNT	APPLICATIONS APPROVED	JOB'S CREATED AND/OR RETAINED
1972 - 1979	\$ 5,601,129	256	757
1980	1,982,791	37	144
1981	1,180,740	34	120
1982	2,800,140	46	176
1983	2,138,275	31	138
1984	2,080,595	49	144
1985	2,326,548	63	172
1986	2,909,735	43	159
1987	3,573,294	66	215
1988	3,550,050	70	210
1989	725,243	22	31
1990	1,681,090	38	136
1991	1,737,344	30	80
1992	1,183,686	19	102
1993	5,406,375	36	120
1994	1,427,220	21	88
1995	4,811,247	51	135
1996	6,134,635	64	252
1997	4,321,829	53	198
1998	4,387,457	45	230
1999	5,188,498	41	178
2000	2,062,664	36	165
2001	2,797,419	28	170
2002	2,787,386	28	166
2003	5,174,099	39	213
2004	4,721,154	41	267
2005	2,834,888	33	359
2006	4,961,588	35	155
2007	<u>4,123,999</u>	<u>31</u>	<u>233</u>
	\$94,611,118	1,386	5,513

# PERFORMANCE DATA



	2007	2006	2005	2004	2003
No. of Loans Approved - Business	31	35	33	41	39
Dollar Value - Business	4,123,999	4,961,588	2,834,888	4,721,154	5,174,099
No. of Loans Approved - TEAM	0	1	1	2	6
Dollar Value - TEAM	0	1,352	3,000	5,038	15,536
Dollar Value - Fish Approvals	4,447,258	3,587,401	3,824,575	4,677,215	4,099,629
No. of Active Loans - Business	128	125	133	149	150
No. of Active Loans - TEAM	3	18	21	21	19
No. of Active Loans - Fish	1,154	1,180	1,207	1,191	1,153
Portfolio Value - Total	26,272,414	24,042,119	25,090,244	26,729,480	25,007,290
Bad Debt Expense - Business	427,803	369,874	473,308	619,715	417,594
As a % of Approvals	10.37%	7.45%	16.70%	13.13%	8.07%
Bad Debt Expense - Fish	200,000	131,500	86,662	0	0
As a % of Approvals	4.50%	3.66%	2.27%	0%	0%
Total Subsidy	1,514,164	1,513,839	1,514,322	1,489,762	1,493,068
Subsidy as a % of Approvals	17.67%	17.70%	22.73%	15.84%	16.07%



The Fund continues to face numerous challenges to maintain its primary function and at the same time deliver a professionally managed development agency for economic expansion including the number of jobs created and maintained.

We present the following data which reflects our impact on the regional economy within our mandated area.

## JOBS

Number of persons directly employed in businesses supported by Fund loans: <sup>1</sup>	787
Number of fishers supported by Fund Loans: <sup>2</sup>	1,327
Total Employment:	2,114

## REVENUES

Total revenue of Business Loan clients: <sup>1</sup>	\$59,999,057
Total revenues of Fisheries Loan clients (before final payments and transfer income): <sup>2</sup>	14,421,448
Total Revenue	\$74,420,505
Direct Wages Paid <sup>1</sup>	\$14,573,467

<sup>1</sup> Data is drawn from material financial statement provided by clients and from on-site observations by Fund staff during the annual account review.

<sup>2</sup> Data is drawn from payments provided to Fund and from active accounts within loan ledger.



BDO Dunwoody LLP/s.r.l.  
Chartered Accountants and Advisors  
Comptables agréés et conseillers

700 - 200 Graham Avenue  
Winnipeg Manitoba Canada R3C 4L5  
Telephone/Téléphone: (204) 956-7200  
Fax/Télécopieur: (204) 926-7201  
Toll Free/Sans frais: 1-800-268-3337  
www.bdo.ca

To the Directors of  
COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the statement of financial position of COMMUNITIES ECONOMIC DEVELOPMENT FUND as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Dunwoody LLP*

Chartered Accountants

Winnipeg, Manitoba  
May 18, 2007

*BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario  
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario*



# STATEMENT OF FINANCIAL POSITION

March 31

2007

2006

## ASSETS

### Current Assets

Cash	\$ 625,411	\$ 289,347
Trust deposits - Province of Manitoba	7,627	1,329,818
Due from the Province of Manitoba (Note 2)	2,104,903	2,028,844
Accounts receivable	106,294	64,078
Property held for resale	4,879	153,808
Prepaid expenses	13,991	7,242
	2,863,105	3,873,137

Loans receivable (Note 3)

21,393,330 19,610,537

Capital assets (Note 4)

14,834 17,151

**\$ 24,271,269 \$ 23,500,825**

## LIABILITIES

### Current Liabilities

Accounts payable and accrued liabilities	\$ 1,063,168	\$ 349,568
Interest payable to the Province of Manitoba	405,198	352,821
	1,468,366	702,389

Commitments (Notes 5 and 6)

Accrued pension liability

1,765,596 1,637,502

Advance by the Province of Manitoba (Note 7)

21,037,307 21,160,934

**\$ 24,271,269 \$ 23,500,825**

Approved on behalf of the Board

Director: *Brian Connors*

Director: *A. W. Stedman*



# STATEMENT OF OPERATIONS



For the year ended March 31

2007

2006

## Revenue

Loan interest

TEAM program

Business program

Fisheries program

Investment income

\$	3,150	\$	4,117
	866,176		876,937
	991,478		938,066
	60,764		34,496
	<u>1,921,568</u>		<u>1,853,616</u>

## Cost of Funds

Interest paid to the Province of Manitoba

Business program

Life insurance

Trust line of credit

Fisheries program

	480,213		455,950
	73,421		73,853
	105,555		75,844
	564,986		558,424
	<u>1,224,175</u>		<u>1,164,071</u>

## Gross margin

	697,393		689,545
--	---------	--	---------

## Operating expenditures (Page 24)

	1,636,677		1,783,687
--	-----------	--	-----------

	(939,284)		(1,094,142)
--	-----------	--	-------------

## Other income - administration fees

	52,926		81,680
--	--------	--	--------

## Deficiency of revenue over expenditures before provision for doubtful loans

	(886,358)		(1,012,462)
--	-----------	--	-------------

## Provision for doubtful loans - regular operations

	627,803		501,374
--	---------	--	---------

## Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba

	(1,514,161)		(1,513,836)
--	-------------	--	-------------

## Subsidy due from the Province of Manitoba

	1,514,161		1,513,836
--	-----------	--	-----------

## Excess of revenue over expenditures for the year

\$	-	\$	-
----	---	----	---



# STATEMENT OF CASH FLOWS

For the year ended March 31

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Deficiency before subsidy	\$ (1,514,161)	\$ (1,513,836)
Adjustments for		
Amortization of capital assets	6,703	10,476
Provision for doubtful loans	627,803	501,374
	(879,655)	(1,001,986)
Accounts receivable	(42,216)	(30,118)
Accrued interest receivable	(168,963)	72,242
Prepaid expenses	(6,749)	(1,124)
Accounts payable	713,600	(587,357)
Accrued interest payable	52,377	(158,833)
Accrued pension liability	128,094	(10,365)
	(203,512)	(1,717,541)
<b>Cash Flows from Financing Activities</b>		
(Increase) decrease - Due from the Province of Manitoba.	(76,059)	91,378
Increase (decrease) - Advance by the Province of Manitoba	(123,627)	890,937
Subsidy - Province of Manitoba	1,514,161	1,513,836
	1,314,475	2,496,151
<b>Cash Flows from Investing Activities</b>		
Loans receivable, net of repayments	(3,563,826)	637,870
Purchase of capital assets	(4,385)	(5,780)
Property held for resale	148,929	37,940
Trust deposits	1,322,192	-
	(2,097,090)	670,030
<b>Net increase (decrease) in cash and cash equivalents</b>	(986,127)	1,448,640
<b>Cash and cash equivalents, beginning of year</b>	1,619,165	170,525
<b>Cash and cash equivalents, end of year</b>	<b>\$ 633,038</b>	<b>\$ 1,619,165</b>
<b>Represented by</b>		
Cash	\$ 625,411	\$ 289,347
Trust deposits - Province of Manitoba	7,627	1,329,818
	<b>\$ 633,038</b>	<b>\$ 1,619,165</b>
<b>Supplementary Information</b>		
Interest paid	\$ 1,097,000	\$ 1,278,549
Interest received	2,402,841	1,891,361



March 31, 2007

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

## **Loans Receivable**

Loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into income.

## **Allowance for Doubtful Loans**

### **Business Loan Program -**

The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than two payments in arrears and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a "specific" allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a "non-specific" allowance equal to 5% of the outstanding loan balance is recorded.

### **Fisheries Loan Program -**

The allowance for doubtful loans on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value ("NPV") formula used for calculating the allowance for doubtful loans is recognized by the Canadian Institute of Chartered Accountants, however, it does not account for closure of a fishery or regulated reduction of production. In the event of the closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful loans.

## **Revenue Recognition**

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

## **Pension Expense and Obligation**

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2004 indicated the accrued liability is in line with the obligation forecast in the report.



In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations.

The total liability as at March 31, 2007 amounts to \$1,765,596 (2006 - \$1,637,502).

### **Capital Assets**

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

Office furniture and equipment      10 - 30%

### **Financial Instruments**

The Fund's financial instruments consist of cash, trust deposits, accounts receivable, loans receivable, accounts payable and amounts due to (from) the Province of Manitoba.

The financial risk is the risk to the Fund's revenues that arise from fluctuations in interest rates and degree of volatility of these rates. The Fund has established policies to manage its exposure to fluctuating interest (referred to as interest rate risk).

The Fund is exposed to credit risk that arises from the collection of loans receivable and realization of property held for resale.

All financial instruments are denominated in Canadian dollars.

The Fund does not participate in derivative financial instrument trading or foreign exchange transactions.



March 31, 2007

## I. NATURE OF THE FUND

The Communities Economic Development Fund was established in 1971 (Ch. C155) as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the objective of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to Aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

## 2. DUE FROM THE PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of \$2,104,903 (2006 - \$2,028,844) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2007	2006
Department of Aboriginal and Northern Affairs		
Subsidy (refundable)	\$ 173,548	\$ 263,178
Order in Council pending	100,359	62,764
Pension (unfunded)	1,746,878	1,620,890
Pension (funded)	18,718	16,612
Severance accrual (unfunded)	65,400	65,400
	<b>\$ 2,104,903</b>	<b>\$ 2,028,844</b>

### 3. LOANS RECEIVABLE

#### Business Loan Program

- Interest rates applied range from 4.125% to 5.5%

Principal

Accrued interest

Allowance for doubtful loans (Note 8)

#### Fisheries Loan Program

- Interest rates applied range from 4.125% to 5.25%

Principal

Accrued interest

Allowance for doubtful loans (Note 8)

#### TEAM Loan Program

Principal

Accrued interest

Allowance for doubtful loans (Note 8)

	2007	2006
Principal	\$ 12,495,516	\$ 10,736,028
Accrued interest	790,175	665,387
	13,285,691	11,401,415
Allowance for doubtful loans (Note 8)	1,739,027	1,441,646
	11,546,664	9,959,769
Principal	12,042,494	11,705,019
Accrued interest	940,432	885,110
	12,982,926	12,590,129
Allowance for doubtful loans (Note 8)	3,140,168	2,949,198
	9,842,758	9,640,931
Principal	3,755	38,979
Accrued interest	153	11,301
	3,908	50,280
Allowance for doubtful loans (Note 8)	-	40,443
	3,908	9,837
	\$ 21,393,330	\$ 19,610,537

The following schedule provides the gross amount of loans together with the loan allowances:

	Gross Loan Balances	2007 Total Allowance	Gross Loan Balances	2006 Total Allowance
Business Loan Program				
Impaired	\$ 2,340,180	\$ 553,631	\$ 2,340,182	\$ 451,542
Performing	10,945,511	1,185,396	9,061,233	990,104
	13,285,691	1,739,027	11,401,415	1,441,646
Fisheries Loan Program				
Impaired	\$ 3,140,168	\$ 3,140,168	\$ 2,949,198	\$ 2,949,198
Performing	9,842,758	-	9,640,931	-
	\$ 12,982,926	\$ 3,140,168	\$ 12,590,129	\$ 2,949,198
TEAM Loan Program				
Impaired	\$ 3,908	\$ -	\$ 50,280	\$ 40,443

#### 4. CAPITAL ASSETS

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 156,234	\$ 141,400	\$ 14,834	\$ 17,151

#### 5. LOAN COMMITMENTS

	2007	2006
Undisbursed balance of approved loans	\$ 950,156	\$ 3,413,270

#### 6. COMMITMENTS

The Fund has committed to leases as follows:

Digital mail equipment	\$3,093 annually, expires April 2008
Postage scale and software	\$737 semi-annually, expires February 2009

#### 7. ADVANCE BY THE PROVINCE OF MANITOBA

	2007	2006
Business Loan Program (Note 9)	\$ 9,906,881	\$ 10,328,418
Fisheries Loan Program (Note 9)	11,130,426	10,832,516
	<u>\$ 21,037,307</u>	<u>\$ 21,160,934</u>

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 3/4%. At year end, the Fund's instruments bore rates ranging from 4.10% to 5.75% with a weighted cost of capital of 4.56%.



## 8.ALLOWANCE FOR DOUBTFUL LOANS

The change in the allowance is accounted for as follows:

	2007		2006
	Specific	Non-Specific	Total
<b>Business Loan Program</b>			
Balance, beginning of year	\$ 990,104	\$ 451,542	\$ 1,441,646
Provision for the year	325,714	102,089	427,803
	1,315,818	553,631	1,869,449
Loans written-off	(130,422)	-	(130,422)
Balance, end of year	\$ 1,185,396	\$ 553,631	\$ 1,739,027
<b>Fisheries Loan Program</b>			
Balance, beginning of year			\$ 2,949,198
Provision for the year			200,000
			3,149,198
Loans written-off			(9,030)
Balance, end of year			\$ 3,140,168
<b>TEAM Loan Program</b>			
Balance, beginning of year			\$ 40,443
Loans previously allowed for written-off			(40,443)
Balance, end of year			\$ -

The provision for fish loan losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2007 by \$555,574 (2006 - \$278,134).

	2007	2006
<b>Loan Loss Provision</b>		
Per accounts	\$ 3,140,168	\$ 2,949,198
Per net present value calculation	(2,584,594)	(2,671,064)
	\$ 555,574	\$ 278,134

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2007.

## 9. LOAN PROGRAMS

### Business Loan Program

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2006". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances from the Business Loans Program are accounted for as follows:

	2007	2006
Advances, beginning of year	\$ 11,832,828	\$ 11,731,301
Loan advances	1,759,488	3,550,337
Loan advance repayments	(1,724,659)	(3,187,562)
Loan write-offs	(130,422)	(261,248)
	<u>11,737,235</u>	<u>11,832,828</u>
Unfunded allowance, beginning of year	1,504,410	1,951,448
Provision for doubtful loans	427,803	369,874
Write-offs (Order in Council approved)	(101,859)	(816,912)
	<u>1,830,354</u>	<u>1,504,410</u>
Net balance, end of year (Note 7)	<u>\$ 9,906,881</u>	<u>\$ 10,328,418</u>

### Fisheries Loan Program

Advances to the Fisheries Loan Program are accounted for as follows:

	2007	2006
Advances, beginning of year	\$ 13,781,710	\$ 13,373,656
Loan advances	337,179	3,649,472
Loan advance repayments	169,763	(3,175,600)
Loan write-offs	(9,032)	(65,818)
	<u>14,279,620</u>	<u>13,781,710</u>
Unfunded allowance, beginning of year	2,949,194	2,883,512
Provision for doubtful loans	209,032	131,500
Write-offs (Order in Council approved)	(9,032)	(65,818)
	<u>3,149,194</u>	<u>2,949,194</u>
Net balance, end of year (Note 7)	<u>\$ 11,130,426</u>	<u>\$ 10,832,516</u>

## 10. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2006" are as follows:

	2007
Per Schedule A of "The Loan Act, 2006"	\$ 3,800,100
Per Schedule B of "The Loan Act, 2005"	13,199,811
Direct loans	16,999,911
Advances made during the fiscal year	7,000,000
Unused Loan Act capital available	\$ 9,999,911

## 11. ECONOMIC DEPENDENCE

The ongoing operations of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Fund is dependent upon the Province of Manitoba for funding of operations.

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and deposits, accounts receivable, amounts due from the Province of Manitoba and accounts payable are a reasonable estimate of the fair value because of the short maturity of those instruments. The advances by the Province of Manitoba has a market rate of return (Note 7) and is a reasonable estimate of the fair value.

The carrying value of loans receivable approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

# SCHEDULE OF OPERATING EXPENDITURES

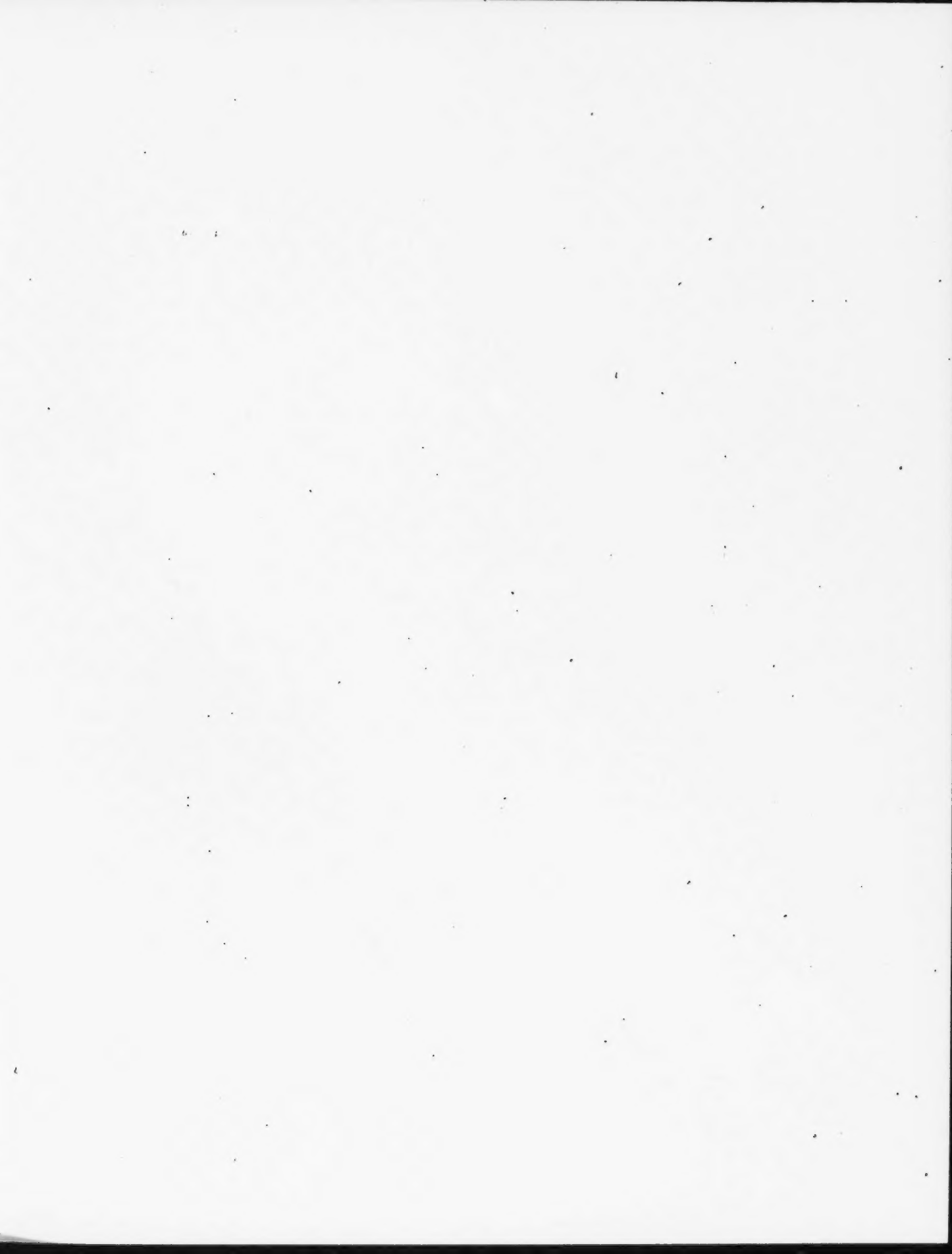


For the year ended March 31

2007

2006

Amortization of capital assets	\$ 6,703	\$ 10,476
Collection costs	67,761	149,416
Communications	48,818	49,323
Credit reports	2,255	2,809
Directors' fees and expenses	66,445	74,485
Government vehicles	43,956	44,883
Insurance	1,432	2,826
Legal costs	13,816	12,396
Office supplies and expenses	18,425	21,095
Pension	172,772	175,144
Professional fees	27,235	25,600
Rent and utilities	94,598	86,713
Salaries and benefits	974,321	1,001,298
Sundry	18,536	29,933
TEAM	23,722	31,590
Travel	55,882	65,700
	<u>\$ 1,636,677</u>	<u>\$ 1,783,687</u>





HEAD OFFICE: 100-23 Station Road., Thompson, Manitoba R8N 0N6 • Tel. 204-778-4138 • Fax. 204-778-4313

**BUSINESS FIELD OFFICE:**

3-1000 Main Street  
Swan River, MB R0L 1Z0  
Ph. 204-734-5025

**FISHERIES FIELD OFFICES:**

Box 1277  
Hwy 9 & 4th Street S.  
Gimli, MB R0C 1B0  
Ph. 204-642-6005

PO Box 10548  
Opaskweyak, MB  
R0B 2J0  
Ph. 204-627-8370

Bay 8, 1680 Ellice Ave.  
Winnipeg, MB R3H 0Z2  
Ph. 204-945-2140